Special Forces Pension Plan

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED MARCH 31, 1987

Alberta
TREASURY

88-06191/

Special Forces Pension Plan

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Alberta

PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-8809

June, 1988

The Honourable Dr. David Carter
Speaker of the Assembly

Sir:

Pursuant to section 4 of the Special Forces Pension Plan Act, being Chapter S-21.1 of the 1985 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Special Forces Pension Plan for the fiscal year ended March 31, 1987.

Respectfully submitted,

Dick Johnston
Provincial Treasurer

Alberta
TREASURY

442 Terrace Building, 9515 - 107 Street, Edmonton, Alberta, Canada T5K 2C3 403/427-4106

June, 1988

The Honourable Dick Johnston
Provincial Treasurer

Sir:

In accordance with section 4 of the Special Forces Pension Plan Act, I have the honour to transmit herewith the annual report on the operation of the Special Forces Pension Plan for the fiscal year ended March 31, 1987 to be laid by you before the Legislative Assembly.

The annual report includes a statement of the most recent estimate of the actuarial liabilities of the Plan as required by section 4(2) of the Act.

Respectfully submitted,

A. D. O'Brien
Deputy Provincial Treasurer
Management and Control

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Introduction

The Special Forces Pension Plan was established effective April 1, 1979 by the Special Forces Pension Act to provide a contributory pension scheme for police officers employed by Local Authorities in Alberta.

The Special Forces Pension Act was repealed on November 1, 1985 and replaced by the Special Forces Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Special Forces Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Special Forces Pension Plan is a contributory defined benefit plan under which combined employee and employer contributions are required to equal 14 per cent of salary. The split in contribution rates between employers and participants was not prescribed by legislation, but was to be negotiated between the Local Authority and the Police Association. The net amount of pension contributions less payments is deposited to or withdrawn from the Pension Fund pursuant to the Pension Fund Act. The income of the Pension Fund accrues to and forms part of the Fund. The Government of Alberta guarantees the payment of all benefits under the Special Forces Pension Plan.

Those members who retire with at least five years of pensionable service are entitled to a pension. There is no mandatory retirement age. Pension benefits are based on two per cent of the highest average pensionable earnings for five consecutive years times the number of years of pensionable service. If the member has a spouse and has been married to or lived with that spouse for at least five years, unless a waiver is signed by the spouse, the member must choose a normal pension. The normal form of a pension is for the life of the member with a five year guarantee period. On the death of a pensioner 65 per cent of the pension continues to be paid to an eligible spouse for life or until remarriage. On remarriage, as full settlement, the surviving spouse is paid a lump sum payment equal to 24 monthly pension payments. Single members may elect a single life pension which ceases at death regardless of the number of payments made. Alternatively they may choose a 10, 15 or 20 year guarantee period. They may also elect a joint life pension based on their life and that of a nominee.

Normal pensionable age is 60. Members may retire at any time after age 55 if five years of pensionable service has been accumulated, or at any age if at least 25 years of pensionable service has been accrued. The Plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to 65 per cent of the normal pension the member would have been entitled to and in certain cases takes into account the pensionable service that would have accumulated had the member lived to age 60. A beneficiary other than a spouse must accept a lump sum benefit.

Review of Operations

The Special Forces Pension Plan is administered by Alberta Treasury, Payroll and Pensions.

During the year under review the concept of annual reporting was extended to encompass all employers under the Plan. Annual reporting by employers offers significant advantages over monthly reporting as it reduces the amount and frequency of data required to be submitted to the Pension Administration.

In accordance with the concept of giving employers greater responsibility over their pension plan, employer training in the form of workshops and seminars was expanded from previous years. In addition, a new employer manual was developed to assist employers in carrying out their responsibilities.

Annual statements were produced for all participants to provide information and verify the current status of information on file. Statements were forwarded to employers for distribution.

During the year, Payroll and Pensions proceeded with further automation of pension plan activities. Retirement processing, including the provision of member estimates, was partly computerized in February 1987. Computerization of the retirement function improved the accuracy of pension calculations and decreased the time required in supplying information to retirees.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1985 estimated the accrued liability of the Special Forces Pension Plan to be $389,281,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 26.4 per cent.

Participation

At March 31, 1987 there were a total of nine employers participating in the Special Forces Pension Plan, 2,493 active contributors and 66 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A listing of the participating employers and the number of participants is provided in the section on Contributions.

Book Entry Transfers

The Special Forces Pension Plan has an agreement with the Local Authorities Pension Plan under which pensionable service and contributions accumulated may be transferred between the two plans.

During the year the sum of $26,765 was transferred from the Local Authorities Plan to the Special Forces Plan. This book entry transfer is not reflected in the Statement of Receipts and Payments.

Contributions

The schedule below summarizes employee and employer contributions for the year ended March 31, 1987.

	Participants At March 31, 1987	Contributions Received		
		Employee $	Employer $	Total $
City of Calgary	1,168	3,253,479	3,603,399	6,856,878
City of Camrose	21	57,364	62,269	119,633
City of Edmonton	1,109	3,058,492	3,471,457	6,529,949
City of Lethbridge	94	270,769	297,477	568,246
City of Medicine Hat	69	192,954	217,506	410,460
Town of Coaldale	7	16,009	18,739	34,748
Town of Lacombe	8	24,737	19,120	43,857
Town of Radcliff	9	19,723	18,989	38,712
Town of Taber	8	20,775	24,210	44,985
	2,493	6,914,302	7,733,166	14,647,468

Refunds

The following amounts of member contributions and interest were refunded during the year to members terminating employment:

	Number	Amount
		$
Cash	24	186,465
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	13	190,030
	37	376,495

In addition, 116 refunds of excess contributions totalling $11,358 were made to members and employers.

Death in Service Benefits

In the current year two members died while in service and the surviving spouses were granted spousal pensions.

Information and Counselling Service

Payroll and Pensions presented three information seminars to employees during the year.

Several information brochures on special interest topics were prepared for participants and a regular information bulletin, Pension News, was prepared for employers.

Pension Benefits

During the year ended March 31, 1987 pension benefits paid totalled $5,988,167, an increase of $1,449,331 (31.9 percent) over the previous year. A total of 48 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	1987	1986
Normal Retirement	1 (1)	8
Early Retirement	43 (37)	29 (29)
Partial or Total Disability	2	1 (1)
Death-in-Service (Spousal)	2 (1)	5 (5)
	48 (39)	43 (35)

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or Federal Old Age Security (OAS) payments.

Of the above retirements, two were in respect of deferred retirements from previous years (one normal and one early).

Pension options selected by members are as follows:

Member Pensions	At March 31, 1986	New Retirements	Beneficiaries	Deaths	At March 31, 1987
Normal (life with 65% survivor pension)	205	44	2	(3)	248
Single Life	1	1			2
Guaranteed 10 years	1				1
Guaranteed 15 years	1	1			2
Guaranteed 20 years	4				4
Spousal Pensions					
Guaranteed 5 years	14	2	—	—	16
Total Pensions	226	48	2	(3)	273
Pensions co-ordinated with CPP and/or OAS	204	39	—	—	243

Notes:

1. The allocation of pension options at March 31, 1986 has been adjusted to correct previously reported figures.
2. The normal member pension is guaranteed to be paid for a period of at least five years and in the event of the retiree's death, pays the eligible spouse a spousal pension equalling 65 per cent of the deceased retiree's pension for life or until remarriage, as explained in the section on Plan Overview.

The schedule below categorizes the pensions in effect at March 31, 1987 by dollar value of monthly pension.

Dollar Value Per Month	Member Pensions	Spousal Pensions	Total
$ 0 – 499	0	1	1
500 – 999	10	1	11
1,000 – 1,499	56	10	66
1,500 – 1,999	82	3	85
2,000 – 2,499	62	1	63
2,500 – 2,999	34	0	34
3,000 – 3,499	8	0	8
3,500 and over	5	0	5
	257	16	273

Effective January 1, 1987 a cost of living adjustment of 2.7 per cent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the year.

STATEMENT OF RECEIPTS AND PAYMENTS
YEAR ENDED MARCH 31, 1987

	1987	1986
	$	$
RECEIPTS:		
Employee contributions	6,914,302	6,590,210
Employer contributions	7,733,166	7,354,863
Interest on overdue receivables	128	1,788
	14,647,596	13,946,861
PAYMENTS:		
BENEFITS		
Pensions to retired members	5,753,442	4,313,613
Pensions to surviving spouses	234,725	203,637
Lump sums to beneficiaries of deceased employees		21,586
	5,988,167	4,538,836
WITHDRAWALS		
Refunds of contributions and interest to terminated members	376,495	341,835
Refunds of excess contributions	11,358	2,806
	387,853	344,641
Total payments	6,376,020	4,883,477
Excess of receipts over payments	8,271,576	9,063,384

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta Government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years:

(000's)

Fiscal Year	RECEIPTS			PAYMENTS			Excess of Receipts over Payments
	Member	Employer	Total	Benefits	With-drawals	Total	
	$	$	$	$	$	$	$
1986-87	6,915	7,733	14,648	5,988	388	6,376	8,272
1985-86	6,590	7,357	13,947	4,539	345	4,884	9,063
1984-85	6,733	7,584	14,317	3,560	219	3,779	10,538
1983-84	6,392	7,154	13,546	2,788	192	2,980	10,566
1982-83	6,146	6,848	12,994	2,216	349	2,565	10,429